

Value-Added
Agricultural Products
and Processes Financial
Assistance Program

Semi-annual Report
on progress in VAAPFAP

FY2005
August 1, 2004 – January 31, 2005

Iowa Department
of
Economic Development

REPORT TO THE IOWA LEGISLATURE

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VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL ASSISTANCE PROGRAM (VAAPFAP)

PURPOSE: The purpose of the Value-Added Agricultural Products and Processes Financial Assistance Program is to encourage the increased utilization of agricultural commodities produced in the State of Iowa. The program does this by providing financial assistance to new and innovative value-added agricultural businesses and to renewable fuel facilities.

BACKGROUND

The VAAPFAP program committed funds for its first project in November of 1994, and since then has committed over 44.8 million dollars to 352 value added agricultural businesses in the state of Iowa. There were three original components to the program, Innovative Agricultural Products & Processes, Renewable Fuel and Project Creation Assistance. Attachment A is a listing of the funding activities in each of the program years since its launch.

In 2004 the program was amended to implement new legislation and several new program component areas were added. Those new components include agricultural biotechnology, biomass and alternative energy as well as organic and emerging markets. [A new funding source was found during the fiscal year. After citizens at public hearings during the latter half of 2003 expressed interest in the continuing availability of the VAAPFAP program, the Iowa Values Fund Board at its November 12th, 2003 meeting reserved \\$3 million for VAAPFAP projects. The Values Fund money was used by the IDED for projects from then onward. The VAAPFAP program has not received a legislative appropriation since FY](#)

2003. Iowa Values Funds accounted for \$2,335,000 of the \$3,225,000 awarded in FY2004.

To date in FY 2005 six investments totaling over \$1.35 million have been made. These projects represent value added activity in the areas of renewable fuels, organic food processing as well as new and innovative products and processes.

PRESENT

The Project Creation portion of VAAPFAP was launched in FY 1997. The purpose of this section of VAAPFAP is to help develop new business consortiums. One of the areas of assistance that has developed in Project Creation Assistance is in providing funds to help in the organizing of collaborative value-added ventures among Iowa farm operators which has included the organization of the farmer owned ethanol initiatives around the state. To date the Project Creation Assistance has assisted 12 of these ethanol facilities. These 12 projects represent nearly 5,000 Iowa farmers that have invested in their futures.

The Renewable Fuels component of VAAPFAP assisted in six renewable fuel projects to date in FY 2005. Iowa now has 762 million gallons of ethanol production on-line while another 760 million gallons of capacity is under construction or being planned.

It is anticipated that there will be continued interest in ethanol production as well as growing interest in many other bio fuel type projects in the State.

The program has provided funding to a number of value-added businesses. Some of the businesses of interest include Lincolnway Energy's planned ethanol facility and West Central Cooperative's bio-diesel plant. Naturally Iowa is a new natural milk processing and marketing company located in Clarinda Iowa. They will market naturally produced milk around the Des Moines, Omaha and Kansas City areas benefiting a number of smaller dairymen in that area of the state and they have recently added equipment to bottle their product in containers made from corn starch.

PAST

There have been some successful projects that are growing and having an impact in Iowa. The Iowa Turkey Growers after purchasing the West Liberty processing facility has continued to prosper and grow after some early struggles because of extremely low prices. They have become a profitable enterprise and the growers are beginning to realize benefits from the risk they had taken. Natural Products of Grinnell continues to grow and find new markets for its soy flour products. Sioux Biochemical and Sioux Pharms continue to grow with their products for the nutraceutical industry.

FUTURE

With IDED taking a more prominent role in developing projects, the possibilities for new ag businesses developing in the state is positive. We will continue to encourage the present agricultural industries in the state as well as producers to process more and more agricultural commodities here in Iowa, rather than elsewhere.

CONCLUSION

The Department of Economic Development would like to acknowledge the Ag Products Advisory Council (APAC) for their time and insight in reviewing applications monthly and making recommendations on funding of projects. The list of APAC Members is included as Attachment B. The Department of Agriculture and Land Stewardship has provided technical assistance to many of the applicants for help in project development most recently through the newly formed Ag Innovation Center. We would also like to recognize the commodity organizations for their assistance in providing information on projects in their areas of expertise and their work in value-added agriculture.

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Annual Project Award Breakdown FY1995 - FY2005 (mid)

FY	Core Component Awards			Project Creation Assistance Awards			Program Totals	
	Awards	Award Amount	Ave. Award	PCA	Award Amount	Ave. Award	Total Projects	Total
2005	6	\$1,355,000.00	\$225,833.33	5	\$90,000.00	\$18,000.00	11	\$1,445,000.00
2004ivf	9	\$2,335,000.00	\$259,444.44	0	\$0.00	\$0.00	9	\$2,335,000.00
2004	10	\$890,000.00	\$89,000.00	12	\$325,000.00	\$27,083.33	22	\$1,215,000.00
2003	19	\$2,370,000.00	\$124,736.84	18	\$747,619.00	\$41,534.39	37	\$3,117,619.00
2002	11	\$1,923,500.00	\$174,863.64	10	\$345,000.00	\$34,500.00	21	\$2,168,500.00
2001	21	\$5,143,250.00	\$244,916.67	29	\$1,095,065.00	\$37,760.86	50	\$6,238,315.00
2000	24	\$3,910,340.00	\$162,930.83	21	\$766,465.24	\$36,498.34	45	\$4,676,805.24
1999	29	\$4,754,607.00	\$163,951.97	23	\$1,300,000.00	\$56,521.74	52	\$6,054,607.00
1998	25	\$3,544,050.00	\$141,762.00	10	\$364,246.00	\$36,424.60	35	\$3,908,296.00
1997	20	\$4,542,500.00	\$227,125.00	7	\$546,250.00	\$78,035.71	27	\$5,088,750.00
1996	21	\$3,932,200.00	\$187,247.62	0	0	0	21	\$3,932,200.00
1995	22	\$4,647,091.00	\$211,231.41	0	0	0	22	\$4,647,091.00
	217	\$39,347,538.00	\$181,325.06	135	\$5,579,645.24	\$41,330.71	352	\$44,827,183.24